

SECURITIES AND EXCHANGE COMMISSION

[Release Nos. 34-56534 ; IA-2658 ; File No. S7-24-07]

PUBLIC ALERT: UNREGISTERED SOLICITING ENTITIES (“PAUSE”) PROGRAM

AGENCY: Securities and Exchange Commission.

ACTION: Notice; request for comment.

SUMMARY: The Securities and Exchange Commission (“SEC” or “Commission”) is announcing a new program that will post on its Web site certain factual information about unregistered entities that are engaged in the solicitation of securities transactions.

DATES: Comments should be submitted on or before [insert date 30 days after publication in the Federal Register].

ADDRESSES: Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission’s Internet comment form (<http://www.sec.gov/rules/other.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number S7-24-07 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number S7-24-07. This file number should be included on the subject line if e-mail is used. To help us process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission’s Internet Web site (<http://www.sec.gov/rules/other.shtml>).

Comments also are available for public inspection and copying in the Commission’s Public

Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. All comments received will be posted without change; we do not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

FOR FURTHER INFORMATION CONTACT: John Reed Stark, Chief of the Office of Internet Enforcement and Counselor to the Director, at (202) 551-4540, Jack Hardy, Branch Chief, Office of Investor Education and Advocacy, at (202) 551-6500, Alberto Arevalo, Acting Assistant Director, Office of International Affairs, at (202) 551-6690, at the Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-6628.

SUPPLEMENTARY INFORMATION: The Commission today is announcing a new program for informing the public about unregistered entities engaged in solicitations of securities transactions. Through this new program, “Public Alert: Unregistered Soliciting Entities” (“PAUSE”), the Commission will publish on its Web site certain factual information about unregistered soliciting entities that have been the subject of complaints forwarded by investors and others, including fellow securities regulators. By making this information readily available, the Commission expects investors to be better able to evaluate solicitations to buy and sell securities. Before the program and Web site become operational [insert date 60 days from publication in the Federal Register], the Commission is interested in receiving comments and suggestions on the PAUSE program.

1. Background

Generally, entities that solicit purchases or sales of securities for the accounts of other persons in the United States are required to register with the SEC. The Commission regularly receives complaints and inquiries from investors and others, including foreign securities

regulators, about solicitations made by entities claiming to be registered, licensed and/or operating in the United States, and in some cases, entities soliciting US investors that are not registered in the United States. When an entity claims to be registered with the SEC, it is in effect claiming that it has made itself available for SEC regulation and oversight. For this reason, it is important for prospective investors to consider whether a soliciting entity is, in fact, registered with the SEC.

The Commission's Office of Investor Education and Advocacy ("OIEA") fields investor complaints and inquiries. The single largest number of investor complaints received by OIEA concern solicitations of investors by unregistered entities that appear to be involved in boiler room and secondary advance fee schemes.¹ In 2005 and 2006, OIEA received respectively 1,385 and 1,418 complaints from investors who were solicited by unregistered entities, many of which purported to be US-based securities firms trading in securities of US-based issuers.

Moreover, perpetrators of boiler rooms and advance fee schemes increasingly use new devices to convince investors that their solicitations are legitimate, including:

¹ Boiler room operations use high-pressure sales tactics generally over the telephone and solicit investors with false and/or misleading information. They frequently purport to be registered broker dealers and/or operating in the United States and offer "opportunities" to invest in securities, often issued by companies organized in the United States. The schemes are disbanded and the wrongdoers disappear after investors wire their money, which is then transferred to offshore accounts. Secondary "advance fee" schemes work very similarly to boiler room operations, the difference being that an advance fee scheme generally targets investors who purchased underperforming securities, perhaps through an affiliated boiler room, offering to arrange a lucrative sale of those securities, but first requiring the payment of an "advance fee" in the form of a commission, regulatory fee or tax, or some other incidental expense. The advance fees are paid, but the promised sale of the securities is never arranged.

For more information about boiler rooms and advance fee schemes, please see the following discussions on our Web site:

- The Fleecing of Foreign Investors: Avoid Getting Burned by "Hot" U.S. Stocks (<http://www.sec.gov/investor/pubs/fleecing.htm>)
- Worthless Stock: How to Avoid Doubling Your Losses (<http://www.sec.gov/investor/pubs/worthless.htm>)
- Protect Your Money: Check Out Brokers and Investment Advisers (<http://www.sec.gov/investor/brokers.htm>)

